



June 10, 2002

Richard Stursberg
Executive Director

Telefilm Canada
360, rue Saint-Jacques, Suite 700
Montreal, QC H2Y 4A9

Dear Mr. Stursberg:

I read with interest the Telefilm document clarifying its position on achieving 5% of the box-office gross – particularly in English Canada with Canadian product. Considering the restraints encountered in producing an English film in Canada, with both union and government regulations presently in force, it might be extremely difficult.

French Canada does not have the same problem – it has a developed talent base that is not subject to the talent drain to the U.S. that English Canada has to deal with. The French press helps to glorify their talent with all kinds of features and articles that create a desire for French audiences to see their stars on the screen. English Canadians are attracted to stars based on media coverage emanating from the U.S. This includes some Canadians who have opted to work in the U.S. and are drawing down large salaries in U.S. dollars. It makes it difficult to attract them to a Canadian production for a lower fee with payment in Canadian Dollars. Just look at Hockey, it's the same thing, the best players end up in the U.S.

The reference to Australia is a difficult comparison. They are distanced from the U.S. geographically, so the comparison is closer to French Canada – not English Canada. The local media there has also helped to create a star system. To see Canadian stars you have to see American product while the English Canadian media does very little to create audience interest or awareness of its local talent.

The expense on a Canadian distributor to launch a film in Canada is enormous to the possible return – few of them can take such a risk. I have no idea what the promotion costs were for "Men with Brooms", but I imagine it was considerable. I assume these were recouped by the distributor before allocating any money to the production. With the theatres taking their percentage share of the receipts, there can't have been much left. If the television has already been sold in advance and used in the production, it leaves only the video to increase the gross of the film, along with the foreign sales. Curling must have had a limited appeal to foreign markets, unfamiliar with the sport. Foreign sales can



be enhanced by picking subjects that have more universal appeal, soccer, or hockey for example, if a sport was to be the focus of a film.

Having experienced the same problem with our low budget productions in the U.S., I would like to suggest you consider a pattern of release that would save everybody money, and still give an idea as to the commercial worth of the film to a Canadian audience.

We would take a small area in the U.S. where we could use 10 or 15 prints. This area would be small enough that we could at reasonable cost saturate the local market area with TV, radio and print. The majority of this potential audience would not realize this was not a national release. The coverage would look the same as a big American studio release in their area. Then, if the box-office showed favorable results we would then enlarge the release to greater areas, adding more prints, using the revenue from the previous release to help finance the new advertising costs. If the limited test release failed – at least the loss in advertising costs was supportable, while the film would be sold off to TV, and video. Today this method is not used as the major studios have opted to go national and roll the dice, spending millions of dollars in media exposure. They can afford to do this. I fail to see why this trial practice could not be incorporated in Canada to find out at a lower financial risk if the film has box-office potential.

Say for example, a film was to initially be released in Halifax and the surrounding area with a major local advertising campaign. If the box-office return merits it – press on immediately opening up on a national scale.

I feel this method deserves consideration by Telefilm in its search for bigger box-office grosses.

Another consideration to achieve the box-office goal is for what market is the film destined. The youth market 14-25 is one that should be considered. An examination of the American box-office grosses show that one can have a successful film without the benefit of star power, as long as they have the right concept and are marketed properly. These films can be made with low budgets. An example: Bloody Valentine, which was produced by Cinepix and sold to Paramount Pictures, grossed over 8,000,000 U.S. in 1980 and is considered one of the all-time best horror films by the public and horror trade journals. Cinepix still has the sequel rights. A sequel could be made for about 2,500,000 Can. This is an example of the kind of opportunity that would contribute to achieving the box-office gross Telefilm expects, as it has a pre-sold audience and world market.

Having been in exhibition, distribution, and production, I remain available should you desire a meeting to discuss this further.

Regards,


John Dunning